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## China, Peoples Republic of

### Agricultural Situation

## China Removes Export Rebate on Grains, Soy Beans and Flour Products

### 2007

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**Report Highlights:**

In an effort to slow down rising retail food prices, the Chinese government announced the removal of the export rebate on grains, soy beans and flour products. This measure will discourage exports in order to stabilize domestic grain supplies and will ideally help curb further price hikes in retail food prices. The removal list, effective from December 20, 2007, covers 84 products with HS codes in the 100110 to 120810 range.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Beijing [CH1]  
[CH]

As a measure to curb the sudden appreciation in domestic food prices and guarantee domestic grain supplies, the Chinese Ministry of Finance and State Taxation Administration jointly announced a notice removing the export rebate on wheat, paddy rice, rice (milled), corn, other cereals, soy beans and their derived flour byproducts. The notice (see the attached unofficial translation) will become effective December 20, 2007.

This notice comes after last week's release of Consumer Price Index (CPI) by the National Statistical Bureau (NSB). According to NSB, the monthly CPI in October reached 6.5 percent year to date, and among them, the food price index and non food price index rose 18 percent and 1 percent respectively year to date in October. Food price hikes contribute to most of the overall retail price increases in China.

The removal list covers 84 products with HS codes ranging from 100110 to 120810. Prior to December 20, 2007, most of these agricultural products were entitled to a 13 percent rebate of their declared value at exporting ports. This export subsidy constituted the bulk of the profit for grain traders.

According to traders, the removal of the rebate would severely cut into their profit margins with only a few exceptions for certain commodities at some high end markets with comparative high profit margins. For instance, the profit margin for high quality milled rice exports to Japan still could be attractive to traders. However in the case of rice exports of average quality to markets in the developing world, traders will not be able to make any profit without the 13 percent rebate. For wheat flour exports, traders estimate that the removal of the rebate means that flour exports to southeastern Asian countries will become significantly less price competitive.

Thus far, the Chinese government has not issued any quotas for corn exports in the new marketing year. Traders estimate that, even with an available quota, the new rebate policy adjustment would make corn exports, though economically viable, much less attractive.

The export rebate (or VAT rebate) has been part of tax incentive policy implemented to encourage exports of all categories of commodities since the 1980s. Over the years, the Chinese government made adjustments to the tax category to control the trading of certain categories of commodities. For instance, in recent years, on several occasions, the government reduced the rebate on exports of high energy consuming, resource intensive, and environmentally harmful products.

As the HS code category indicates, this removal covers grains, soy beans and their flour products. Other agricultural and processed products are not included. Furthermore, this policy change also reflects the government's shift in emphasis from low-value added agricultural exports to higher value added agricultural exports.

Unofficial Translation Begins:

*Notice on the Cancellation of Export Rebate for Wheat, Other Raw Grains and Their Flours*  
*Ministry of Finance and State Taxation Administration*  
*finance and taxation( 2007) No. 169*

*To all provinces, autonomous regions, financial departments, State Taxation Administration and Xinjiang Production and Construction Corp:*

By State Council's approval, effective December 20, 2007, the export rebate will be removed for wheat, paddy rice, rice (milled), corn, soy beans, raw grains and their flour products. Please see the attached list of products and HS codes.

The implementation date refers to the date noted by Chinese Customs on the Export Declaration Sheet (for export rebate purposes).

For export contracts signed prior to the date of December 20, 2007 with irreversible prices, the exporter should file the contract (both the original and the duplicate) to the relevant tax department for registration before December 31, 2007. After the registration, the rebate rate (before this adjustment) is applicable to the export contract to be implemented before February 28, 2008. The export contract without registration will be subject to the rebate rate in accordance with this adjustment. After March 1, 2008, all the export contracts will be subject to the newly adjusted rebate rate.

Attachment : List of products with cancellation of export rebate.

December 14, 2007-12-18

Attachment

List of products with cancellation of export rebate

|    | <b>HS Code</b> | <b>Product Names</b>  | <b>Rebate Rate (%)</b> |
|----|----------------|---|------------------------|
|    | <b>1001</b>    | <b>Wheat</b>  |                        |
| 1  | 1001100010     | Durum wheat (in-quota)  | 13                     |
| 2  | 1001100090     | Durum wheat (out-of-quota)  | 13                     |
| 3  | 1001901010     | Wheat, seed (in-quota)  | 13                     |
| 4  | 1001901090     | Wheat, seed (out-of-quota)  | 13                     |
| 5  | 1001909010     | Other wheat and maslin (in-quota)   | 13                     |
| 6  | 1001909090     | Other wheat and maslin (out-of-quota)   | 13                     |
|    | <b>1002</b>    | <b>Rye</b>  |                        |
| 7  | 10020010       | --- Seed  | 5                      |
| 8  | 10020090       | --- Other   | 5                      |
|    | <b>1003</b>    | <b>Barley</b>   |                        |
| 9  | 10030010       | --- Seed  | 5                      |
| 10 | 10030090       | --- Other   | 5                      |
|    | <b>1004</b>    | <b>Oats</b>   |                        |
| 11 | 10040010       | --- Oat Seed  | 5                      |
| 12 | 10040090       | ---Other  | 5                      |
|    | <b>1005</b>    | <b>Maize (corn):</b>  |                        |
| 13 | 1005100010     | Maize (corn) seed (in-quota)  | 13                     |
| 14 | 1005100090     | Maize (corn) seed (out-of-quota)  | 13                     |
| 15 | 1005900010     | Other maize (corn) (in-quota)   | 13                     |
| 16 | 1005900090     | Other maize (corn) (out-of-quota)   | 13                     |
|    | <b>1006</b>    | <b>Rice:</b>  |                        |
| 17 | 1006101110     | Rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice), seed (in-quota) | 13                     |

|    |            |   |    |
|----|------------|---|----|
| 18 | 1006101190 | Rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice), seed (out-of-quota)                                 | 13 |
| 19 | 1006101910 | Other rice in husk (paddy or rough), seed, (in-quota)   | 13 |
| 20 | 1006101990 | Other rice in husk (paddy or rough), seed, (out-of-quota)   | 13 |
| 21 | 1006109110 | Other rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice), (in-quota)                                    | 13 |
| 22 | 1006109190 | Other rice in husk (paddy or rough), Shien rice (long-grained nonglutinous rice), (out-of-quota)                                | 13 |
| 23 | 1006109910 | Other rice in husk (paddy or rough), (in-quota)   | 13 |
| 24 | 1006109990 | Other rice in husk (paddy or rough), (out-of-quota)   | 13 |
|    |            | <b>Husked (brown) rice</b>  |    |
| 25 | 1006201010 | Husked (brown) rice, shien rice (long-grained nonglutinous rice),(in-quota)   | 13 |
| 26 | 1006201090 | Husked (brown) rice, shien rice (long-grained nonglutinous rice), (out-of-quota)  | 13 |
| 27 | 1006209010 | Other husked (brown) rice (in-quota)  | 13 |
| 28 | 1006209090 | Other husked (brown) rice (out -quota)  | 13 |
|    |            | - Semi-milled or wholly milled rice, whether or not polished or glazed  |    |
| 29 | 1006301010 | Semi-milled or wholly milled rice, Shien rice (long-grained nonglutinous rice) whether or not polished or glazed (in-quota)     | 13 |
| 30 | 1006301090 | Semi-milled or wholly milled rice, Shien rice (long-grained nonglutinous rice) whether or not polished or glazed (out-of-quota) | 13 |
| 31 | 1006309010 | Other semi-milled or wholly milled rice, whether or not polished or glazed (in-quota)   | 13 |
| 32 | 1006309090 | Other semi-milled or wholly milled rice, whether or not polished or glazed (out-of-quota)                                       | 13 |
|    |            | <b>Broken rice</b>  |    |
| 33 | 1006401010 | Broken rice, Shien rice (long-grained nonglutinous rice) (in-quota)   | 13 |
| 34 | 1006401090 | Broken rice, Shien rice (long-grained nonglutinous rice) (out-of-quota)   | 13 |
| 35 | 1006409010 | Other broken rice (in-quota)  | 13 |
| 36 | 1006409090 | Other broken rice (out-of-quota)  | 13 |

|    |             |  |    |
|----|-------------|--|----|
|    | <b>1007</b> | <b>Grain sorghum:</b>  |    |
| 37 | 10070010    | ---Seed  | 5  |
| 38 | 10070090    | ---Other   | 5  |
|    | <b>1008</b> | <b>Buckwheat, millet and canary seed; other cereals:</b>                   |    |
| 39 | 10081000    | - Buckwheat  | 5  |
| 40 | 10082000    | - Millet   | 5  |
|    |             | <b>Other cereals:</b>  |    |
| 41 | 10089010    | ---Seed  | 5  |
| 42 | 10089090    | ---Other   | 5  |
|    | <b>1101</b> | <b>Wheat or maslin flour:</b>  |    |
| 43 | 1101000010  | Wheat or maslin flour (in-quota)   | 13 |
| 44 | 1101000090  | Wheat or maslin flour (out-of-quota)                                       | 13 |
|    | <b>1102</b> | <b>Cereal flours other than of wheat or maslin:</b>                        |    |
| 45 | 11021000    | - Rye flour  | 5  |
| 46 | 1102200010  | Maize (corn) flour (in-quota)  | 13 |
| 47 | 1102200090  | Maize (corn) flour (out-of-quota)  | 13 |
|    |             | - Rice flour   |    |
| 48 | 1102901101  | Shien rice (long-grained nonglutinous rice) flour (in-quota)               | 13 |
| 49 | 1102901190  | Shien rice (long-grained nonglutinous rice) flour (out-of-quota)           | 13 |
| 50 | 1102901901  | Other rice flour (in-quota)  | 13 |
| 51 | 1102901990  | Other rice flour (out-of-quota)  | 13 |
| 52 | 1102909000  | - Other  | 5  |
|    | <b>1103</b> | <b>Cereal groats, meal and pellets:</b>                                    |    |
|    |             | -Groats and meal:  |    |
|    |             | -- Of wheat  | 13 |
| 53 | 1103110010  | Wheat groats and meal (in-quota)   | 13 |
| 54 | 1103110090  | Wheat groats and meal (out-of-quota)                                       | 13 |
|    |             | -- Of maize (corn)   | 13 |
| 55 | 1103130010  | Maize (corn) groats and meal (in-quota)                                    | 13 |
| 56 | 1103130090  | Maize (corn) groats and meal (out-of-quota)                                | 13 |
|    |             | -- Of other cereals  |    |
| 57 | 1103191000  | ---Of oats   | 5  |
|    |             | ---Of rice:  |    |
| 58 | 1103192110  | Shien rice (long-grained nonglutinous rice) groats and meal (in-quota)     | 13 |
| 59 | 1103192190  | Shien rice (long-grained nonglutinous rice) groats and meal (out-of-quota) | 13 |
| 60 | 1103192910  | Other rice groats and meal (in-quota)                                      | 13 |

|    |             |  |    |
|----|-------------|--|----|
| 61 | 1103192990  | Other rice groats and meal (out-of-quota)  | 13 |
| 62 | 1103199000  | ---Other   | 5  |
|    |             | -Pellets:  |    |
| 63 | 1103201010  | Wheat pellets (in-quota)   | 13 |
| 64 | 1103201090  | Wheat pellets (out-of-quota)   | 13 |
| 65 | 1103209000  | ---Other   | 5  |
|    | <b>1104</b> | <b>Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading 10.06; germ of cereals, whole, rolled, flaked or ground:</b> |    |
|    |             | - Rolled or flaked grains:   |    |
| 66 | 11041200    | -- Of oats   | 5  |
| 67 | 11041910    | -- Of barley   | 5  |
| 68 | 11041990    | ---Other   | 5  |
|    |             | - Other worked grains (for example, hulled, pearled, sliced or kibbled):   |    |
| 69 | 11042200    | -- Of oats   | 5  |
| 70 | 1104230010  | Maize (corn) otherwise worked (in-quota)   | 13 |
| 71 | 1104230090  | Maize (corn) otherwise worked (out-of-quota)   | 13 |
| 72 | 11042910    | --- Of barley  | 5  |
| 73 | 11042990    | ---Other   | 5  |
| 74 | 110430000   | - Germ of cereals, whole, rolled, flaked or ground   | 13 |
| 75 | 11043000001 | - Germ of cereals, whole, rolled, flaked or ground   | 13 |
| 76 | 11043000002 | - Germ of cereals, whole, rolled, flaked or ground   | 17 |
|    | <b>1108</b> | <b>Starches</b>  |    |
|    |             | - Starches:  |    |
| 77 | 11081100    | -- Wheat starch  | 13 |
| 78 | 11081200    | -- Maize (corn) starch   | 13 |
|    | <b>1201</b> | <b>Soybeans, whether or not broken:</b>  |    |
| 79 | 12010010    | ---Seed  | 5  |
| 80 | 12010091    | ----Yellow soybeans  | 5  |
| 81 | 12010092    | ----Black soybeans   | 5  |
| 82 | 12010093    | ----Green soybeans   | 5  |
| 83 | 12010099    | ----Other  | 5  |
|    | <b>1208</b> | <b>Flours and meals of oil seeds or oleaginous fruits, other than those of mustard:</b>  |    |
| 84 | 12081000    | - Of soybeans  | 5  |